

**MINUTES
of the
SIXTH MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**November 29-30, 2007
Room 307, State Capitol
Santa Fe, New Mexico**

The sixth meeting of the Economic and Rural Development Committee was called to order by Senator Bernadette M. Sanchez, chair, on November 29, 2007 at 10:02 a.m. in room 307 of the State Capitol in Santa Fe, New Mexico.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Richard J. Berry
Rep. Jose A. Campos (11-29)
Rep. Ernest H. Chavez
Sen. Dianna J. Duran (11-29)
Sen. Mary Jane M. Garcia
Sen. Phil A. Griego (11-29)
Rep. Patricia A. Lundstrom
Sen. Richard C. Martinez

Absent

Rep. Andrew J. Barreras
Rep. Dianne Miller Hamilton
Sen. Clinton D. Harden, Jr.
Rep. Brian K. Moore
Sen. John Pinto
Sen. William E. Sharer

Advisory Members

Rep. Nora Espinoza
Rep. Daniel R. Foley (11-29)
Rep. William J. Gray
Sen. Carroll H. Leavell
Rep. James Roger Madalena (11-29)
Rep. Andy Nuñez
Rep. John Pena
Rep. Debbie A. Rodella

Rep. Nathan P. Cote
Rep. John A. Heaton
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Sen. Lidio G. Rainaldi
Sen. Shannon Robinson
Sen. John C. Ryan
Rep. Richard D. Vigil

(Attendance dates are noted for members not present during the entire meeting.)

Staff

Chase Van Gorder
Larry Matlock

Gordon Meeks

Guests

The guest list is in the meeting file.

Thursday, November 29

Committee Business

Senator Sanchez began by welcoming the committee members and guests.

Legislative Priorities

Kelly O'Donnell, deputy secretary of the Economic Development Department (EDD), began her presentation by announcing that she would soon be leaving the EDD to begin work as the superintendent of the Regulation and Licensing Department (RLD). She will remain the chair of the Spaceport Authority Board until a new executive director is formally appointed.

Her handout lists five legislative priorities:

1. Angel Investment Tax Credit Revision (202.170722.1)

The bill excludes convertible loans from the definition of "qualified investment" to reduce the potential for abuse of the credit.

2. High Wage Jobs Tax Credit Revisions (202.170710.1)

While increasing the length of time during which a company may receive the credit, this bill would also create a sliding scale with a reduced credit rate for jobs with total compensation between \$28,000 and \$40,000 for jobs located in municipalities with populations of 40,000 or more.

3. Railroad Diesel Gross Receipts Tax Exemption (202.170889.1SA)

This bill would extend by one year the deadline for certification by the EDD that the construction of a rail locomotive fueling facility in Dona Ana County has commenced, including land acquisition and necessary permitting. A land swap is currently being negotiated by the U.S. Bureau of Land Management and the State Land Office, slowing certification beyond the original deadline.

4. Spaceport Authority Confidentiality (202.170888.1)

This bill would amend the enabling language in statute to exempt business information and trade secrets from the Public Records Act. The EDD already has similar language that allows the department to maintain the confidentiality of business information submitted by companies considering moving their operations to New Mexico. The bill would extend that exemption to the Southwest Regional Spaceport. Ms. O'Donnell explained that the state is in negotiations with Virgin Galactic, and because the state cannot currently guarantee the confidentiality of proprietary information related to the status of Virgin Galactic's rocket ship, the company is unwilling to share that information in written form.

5. Spaceport Name Change (202.170721.1)

For trademarking purposes, the Southwest Regional Spaceport would be renamed "Spaceport America" in statute.

Drafts of legislation for priorities three and four were not immediately available. Endorsement of the priorities could not be taken at the end of the presentation due to the lack of a quorum. When a quorum was present, just before noon, the committee took action on the priorities. On motion by Representative Campos, seconded by Senator Garcia, priorities one, two and five were endorsed by the committee without opposition.

Later in the day, when drafts were ready for priorities three and four, a motion was made for the committee to endorse the legislation. There being no opposition for priority three, which Representative Garcia agreed to sponsor, the bill was endorsed by the committee. Although the Spaceport Authority confidentiality bill was opposed by Representative Berry, Representative Campos, Senator Duran and Representative Lundstrom, the motion to endorse passed.

Tourism Department

Craig Swagerty, deputy secretary of the Tourism Department, gave the committee a very brief update on the department's activities, including the use of two mobile visitors' centers. Department staff in these recreational vehicles attend events and hand out information about New Mexico attractions. Mr. Swagerty noted that the centers reached 1.1 million visitors. The vehicles attend events in New Mexico, as well as the Texas and Oklahoma state fairs.

The upcoming New Mexico Bowl, scheduled for December, will be the state's second. Last year's bowl met expectations with at least 34,000 in attendance. The department will also sponsor a float in the Rose Bowl, which was last done two years ago.

Mr. Swagerty said that 4,000 people attended the New Mexico Golf Shootout in Elephant Butte. He hopes that Nancy Lopez and Christy Albers will attend again. He listed other events, including the Hike and Spike in Roswell, the X-Prize Cup in Las Cruces, the Tour of the Gila bicycle race in Silver City, and the state's sponsorship of the Intertribal Ceremonial in Gallup, as examples to demonstrate the distribution of the department's resources.

Representatives of the department attended international trade shows in Germany, Italy, Switzerland, France, Japan, Mexico and Canada.

Mr. Swagerty asked for an additional 5 million for advertising for the next fiscal year, noting that Colorado spends five times more than New Mexico on advertising. The return on that investment would be 40 to one. This money would bring in \$56 million in additional payroll, increasing tourism 5.5%. He explained that New Mexico ranks thirty-eighth in spending on tourism promotion.

Mr. Swagerty said the department needs more money for staff, including an additional \$40,000 per year for a full-time attorney, noting that the department currently splits an attorney with another agency and is tired of sharing. He requested \$148,000 to staff the new visitors' information centers in Glenrio and Gallup and asked for \$34,400 for another financial specialist.

Representative Garcia asked about the recent advertisements featuring aliens on bicycles, noting that they have been highly criticized. Mr. Swagerty explained that the department was awaiting the return on a conversion study to find out how many people in San Diego and Minneapolis saw the ads and decided to visit New Mexico. Upon request, he distributed a sheet listing the statistics related to the "buzz" generated by the ads, including a 35% increase in visits to the department's web site, from 9,689 to 13,630 over the course of one week. Viewings of the ad posted on youtube.com totaled 32,436 for two days and the ads were rated 4.5 out of a possible five.

Mr. Swagerty explained, "Everyone can put a scene of a beach, mountains, flowers, every state is already doing that. We've put something new out there. The response may not always be positive, but it's not necessarily negative, either. We originally looked at it with some misgiving, but it's making an impact".

Senator Garcia noted that the department is promoting sports and asked about plans for the state's centennial celebration in 2012. Representative Pena was also concerned, saying a local group contacted him wanting to fund a local initiative because of lack of a cooperation and negative response from the executive branch. Mr. Swagerty promised he would get information on the subject by the following day. Representative Pena also asked for a financial statement, which Mr. Swagerty agreed to provide.

Representative Espinoza said she would like to see the Tourism Department do more to promote tennis. Representative Campos asked Mr. Swagerty to address shabby tourist information centers. He also asked the department to support the location of a museum of conscience at the Bosque Redondo in Fort Sumner. Representative Campos explained that there are 13 such museums in the entire world. In the United States, only one is located west of the Mississippi River.

Representative Campos, who is also the mayor of Santa Rosa, suggested the department create an organized approach to promote the old Route 66 corridor. He noted that many visitors from Europe, Japan and China are fascinated by Americana, renting cars and motorcycles to drive and ride on the famous Route 66 featured in the movie "Cars".

Representative Lundstrom reminded committee members that two years ago, the committee agreed to have a meeting in Gallup during the Intertribal Ceremonial and she hopes the committee would follow through with this agreement in 2008. She suggested the Tourism Department work with the EDD, the Cultural Affairs Department and other state agencies, along with legislators from the rural areas, to develop a broader approach to bring tourism to rural areas.

Consumer Protection Bonds

Lisa Martinez, director of the Construction Industries Division (CID) of the RLD, gave a presentation on legislation requested by the CID to require "code bonds" or "contractor licensing bonds". A copy of her remarks is in the meeting file. The requirement of these bonds as a prerequisite for licensure would put teeth into the laws for public protection by making sure laws and regulations are followed. The bonds would alleviate unequal treatment of licensees and would give the CID the power to encourage a contractor to stand by his or her word. Consumers would be better protected because they would be able to make a direct claim. The current statute, which requires proof of financial responsibility, limits the types of violations that can be investigated by CID, which does not directly help the consumer when problems of workmanship arise.

Representative Berry asked if underwriters are prepared to offer this type of bond. Ms. Martinez explained that the bonds are available because similar bonds are already required in Arizona, California, Colorado, Minnesota, Florida and many other states.

Randy Traynor of the New Mexico Homebuilders Association explained that when contractors commit fraud and the attorney general fails to prosecute, the legislature ends up considering unwieldy solutions. Contractors that have bonds associated with the company can simply forfeit the bond and start a new company under a different name. By requiring the bond for the contractor's license, if the contractor had a bond called in, the contractor would also lose the contractor's license and would not be able to get another, which would be a self-policing, positive aspect.

Ms. Martinez had a discussion draft of the bill (202.170753.1), but was unwilling to ask for the committee's endorsement until an agreement could be reached with the speaker of the house, the attorney general and representatives of the construction industry. Representative Garcia moved to table the bill until a new draft reflecting that agreement could be presented to the committee. Her motion was adopted.

The revised bill (202.170753.2) was presented to the committee the following day for endorsement. Senator Martinez moved to endorse the bill, seconded by Senator Garcia. There being no opposition, the motion passed. Ms. Martinez said that Speaker Ben Lujan would be the primary sponsor of the legislation.

The committee recessed for lunch at 12:38 p.m. and returned at 1:47 p.m.

Workers' Compensation Administration (WCA)

Glen Smith, director of the WCA, presented the committee with copies of Senate Memorial 73 and House Memorial 52 from the 2007 regular session. Except for the memorials, Mr. Smith did not have any handouts.

Senate Memorial 73 requested the review and reconsideration of "loss of use" compensation. House Memorial 52 requested the WCA to create a task force to study whether to add workers' compensation coverage for farm and ranch laborers.

The Farm and Ranch Task Force met in Belen on August 16, 2007 and elected a chair. The task force has no recommendations yet, but will meet again on December 5, 2007 in Roswell. The task force might have recommendations ready for the 2008 interim, which could then be ready for the 2009 legislative session.

The task force reviewing the "loss of use" compensation is smaller than the Farm and Ranch Task Force. Although the "Loss of Use" Task Force held more meetings than the Farm and Ranch Task Force, no recommendations were ready.

Title Insurance: Public Regulation Commission (PRC) Report

Commissioners Ben Ray Lujan and Jason Marks, accompanied by Morris J. Chavez, Superintendent of the Insurance Division of the PRC, gave the committee a handout entitled "Title Insurance Reform", which is in the meeting file. PRC Commissioner Sandy Jones was in the audience.

Commissioner Marks explained that agents, underwriters and real estate industry representatives held three meetings, two of which he personally attended. These meetings resulted in some conclusions and proposed solutions. The primary recommendation is to allow price and value competition to develop, within a protective regulatory framework, following the examples set by Florida and California. The Florida model includes promulgated rates, with rebates allowed to consumers at closing. In the California model, the commissioner sets maximum allowable rates for residential policies. The secondary recommendation is for biannual rate hearings.

The committee discussed the issue with input from Fred Nathan of Think New Mexico.

New Mexico Rural Development Council (NMRDC)

Officers of the NMRDC, including Keven Groenewold, president, Leo Baca, vice president, and Vanessa Quiroz, executive director, presented the committee with a discussion draft of an appropriation bill (202.170738.1) for \$200,000 to assist rural communities in creating new projects to stimulate economic development.

Individualized reports were given to the legislators showing projects in their districts for 2006 and 2007. A master list of all projects was provided to the chair and vice chair. A copy of the master list is in the meeting file.

Representative Pena asked why there were no projects in northwestern New Mexico. Ms. Quiroz said that part of the money the council is investing will go into travel, with \$80,000 for administrative expenses to focus on Native American tribes and pueblos because there are not

currently any projects there.

Senator Duran noticed that Otero County was also excluded and asked for a list of the selection criteria, a request echoed by Senator Garcia. Ms. Quiroz said the communities chosen to receive grants could not be changed for three years.

Instead of having the NMRDC contact every community in the state, Ms. Quiroz encouraged the legislators to direct their needy communities to apply to the NMRDC.

Representative Lundstrom asked if there was anyone from northern New Mexico on the NMRDC Board. Ms. Quiroz said that Farmington and Gallup had been contacted, but no one from those communities had been appointed. Representative Lundstrom volunteered herself and Representative Pena to help find a person from that part of the state to serve on the board.

Representative Nuñez requested a list of the board members and suggested that the appropriation be amended to include the word "not" in between the words "shall revert" on line 22 of the discussion draft, to keep the money from reverting to the general fund.

Senator Sanchez suggested inserting the word "recurring" to guarantee a longer-term reliable funding source. Mr. Meeks explained to the committee that although the word "not" could be added, inserting the word "recurring" would not be sufficient to sway the Legislative Finance Committee, which determines the budget.

Senator Martinez, who was out of the room momentarily, asked Ms. Quiroz for the criteria used to select the grant recipients. Ms. Quiroz repeated that the communities were set for three years and could not be changed. She did not provide a list of selection criteria and did not offer to do so, although she did say that the EDD and the United States Department of Agriculture refer some of the communities to the NMRDC.

Senator Martinez moved to endorse the appropriation. Representative Garcia seconded the motion.

Senator Sanchez moved to amend the bill to include the word "not" in line 22. Her amendment passed without opposition. The committee voted to endorse the appropriation. Representative Espinoza will sponsor the bill in the House of Representatives.

Committee Business

The committee voted to approve the minutes of the fifth meeting with no opposition.

Business Incubator Project: Support for Start-Ups

Marie Longserre, president of the Santa Fe Business Incubator, and Tony Gallegos of the South Valley Economic Development Center presented the committee with a discussion draft (202.170828.1) of an appropriation for \$1 million to support business incubator programs. Ms.

Longserre also presented the committee with a handout entitled, "New Mexico Business Incubator Program". The handout and the appropriation are in the meeting file. The committee voted to endorse the bill with no opposition.

Empowering Business Spirit Initiative

Nancy Chatfield and other representatives of the Empowering Business Spirit Initiative presented the committee with a colorful handout and a discussion draft (202.170884.1) of an appropriation for \$200,000 to support entrepreneurial development throughout New Mexico. After a very brief progress report, Senator Martinez moved to endorse the legislation. Senator Garcia seconded the motion, which passed with no opposition.

New Mexico Manufacturing Extension Partnership (NMMEP)

Carol Ann Sanchez, CEO of the NMMEP, presented the committee with a glossy folder containing details of the NMMEP, as well as a discussion draft (202.170852.1) for an appropriation in the amount of \$1,300,000 to the EDD for manufacturing extension services. The discussion draft contains an emergency clause.

After a brief presentation, the committee voted to endorse the appropriation. Senator Garcia will sponsor the bill in the Senate and Representative Lundstrom agreed to carry it in the House of Representatives.

Senator Garcia thanked Ms. Sanchez for the work she has accomplished in Las Cruces.

The Centennial Project

Anna Pacheco, publisher of the magazine *La Herencia*, presented committee members with copies of a new book entitled *Concha! Matriarch of a 300-Year-Old New Mexico Legacy*, by Kathryn M. Cordova, and continued with a very short presentation. She also gave members a handout about the centennial project and copies of *La Herencia*, Volume 56. Inside the magazine is a compact disc containing electronic versions of Volumes 1-52. Draft legislation for two appropriations was not ready for consideration by the committee, but would be available for endorsement by the committee the following day. The committee decided to wait until the appropriations were drafted before taking further action.

The meeting recessed at 4:53 p.m.

Friday, November 30

Committee Business

Senator Sanchez called the committee to order at 9:05 a.m. There being no quorum present, Speaker Lujan appointed Representative Gray and Representative Pena as voting members. President Pro Tempore Ben D. Altamirano appointed Senator Leavell as a voting member as well and a quorum was reached.

The National Laboratories and Small Business Tax Incentives

Mariann Johnston, economic development programs team leader for Los Alamos National Laboratory (LANL), and Vic Chavez, small business development manager for Sandia National Laboratories, gave the committee a brief update.

Representative Lundstrom asked about possible layoffs at LANL. Bill Heimbach, lobbyist for LANL, responded that work force restructuring will begin with phase one, a voluntary incentive program that would include a severance package equal to 8.5 months of pay for an employee with 20 years of employment at LANL. If 500 to 750 employees fail to volunteer, phase two would be initiated with the same severance package. Phase three, an involuntary program, would begin after that. The layoffs are the result of federal cutbacks.

Regulatory Processes

Beverlee McClure, CEO of the Association of Commerce and Industry, and T.J. Trujillo, stakeholder, presented the committee with a discussion draft (202.170758.1) of a bill that would create a regulatory process task force. The draft includes an appropriation for \$150,000.

Representative Nuñez suggested having fewer members on the task force so that it could get more done without being crippled by the inability to draw a quorum.

Senator Leavell moved to endorse the legislation. There being no opposition, the motion passed. Senator Sanchez will sponsor it in the Senate and Representative Berry will carry the bill in the House of Representatives.

Economic Development in the Farming Sector

Agriculture Revitalization in New Mexico

Paula Garcia, deputy director of the Acequia Association, presented the committee with a discussion draft (202.170850.1) of an appropriation for \$300,000 to develop a "Farms for the Future" Program in New Mexico. Ms. Garcia gave details about the search for a successful marketing model to help local producers overcome the challenges of economic viability in a global market, with limited local infrastructure. Models from other states were identified, especially the "Farms for the Future" Program in Maine. The second phase of the program would include implementation grants, provided by a technical team, experienced farmers and other providers. Don Bustos gave additional information.

The committee voted to endorse the legislation with no opposition. Senator Martinez will sponsor the bill in the Senate and Representative Rodella will carry it in the House of Representatives.

Closing the New Mexico Food Gap

Craig Mapel of the New Mexico Food Gap Task Force presented the committee with a folder containing details of the New Mexico Food and Agriculture Policy Council's 2008

legislative priorities and other materials. He presented the committee with draft legislation in the form of one appropriation and one bill enacting the Manny Herrera Access to Health Foods Act, which also contains an appropriation for \$10 million (202.170764.2).

Senator Garcia moved to endorse the appropriation for \$25,000 for a study of ways to increase New Mexicans' access to fresh foods (202.170646.1). Representative Nuñez moved to amend the bill to remove the words "contract for" and substitute the word "conduct" on line 19. Representative Nuñez saw no need to have the study contracted out when New Mexico State University's (NMSU) College of Agriculture has the resources to conduct the study. He also noted that a contractor would take five percent of the appropriation. Cyndi Eager, lobbyist for NMSU, said that the university supports the appropriation, even though it is not one of its legislative priorities. She agreed that the university does have the resources to complete the study. The motion to amend the draft legislation passed with no opposition. Representative Nuñez moved to endorse the legislation. Representative Garcia seconded the motion, which passed with no opposition. Representative Nuñez will sponsor this legislation.

After contentious discussion of the proposed Manny Herrera Access to Healthy Foods Act, in which the committee could not decide the proper entity to determine the definition of a "healthy food", as well as misgivings about the size of the appropriation, Senator Martinez moved to table the draft legislation. Senator Leavell seconded and there being no opposition, the bill was tabled.

Chile Industry Update and Request

Charlie Marquez, lobbyist for the New Mexico Chile Association (NMCA), and Gene Baca, president of the NMCA, gave the committee a handout entitled, "NM Chile Association Presentation", which is in the meeting file. They asked the committee to endorse an appropriation for \$1 million for research on mechanical harvesting and genetic engineering of chile at NMSU.

Mr. Marquez noted that the intent of last year's legislation was to have a recurring appropriation of \$500,000, although that ended up being a one-time appropriation. Senator Sanchez wanted to amend the appropriation to insert the word "recurring". Mr. Meeks explained that because agencies are usually told to ask for a flat budget, inserting the word "recurring" would not carry much weight.

Ms. Eager said that the NMSU Board of Regents agreed to bring up this appropriation at one of its meetings and that it would most likely adopt it as a legislative priority.

Mr. Marquez suggested changing the language of the appropriation to read "college" of agriculture instead of "New Mexico department" on line 19. He also wanted the committee to insert the words "and subsequent fiscal years" between 2009 and the word "for" on line 19; to insert the article "a" between the words "of" and "fiscal" on line 22; and to strike the number 2009 and insert the word "not" between the words "shall revert", also on line 22. The committee

voted to approve the amendments. Senator Garcia moved to endorse the amended bill. Representative Garcia seconded the motion, which passed without opposition. Representative Garcia agreed to sponsor it in the House of Representatives and Senator Garcia agreed to sponsor it in the Senate.

The Centennial Project, Part II

Representative Lundstrom moved for the committee to endorse both of the centennial appropriations. The first (202.170896.1), for the amount of \$60,000 to the Cultural Affairs Department to support a centennial celebration for the City of Gallup, was endorsed with no opposition. Representative Pena agreed to sponsor the bill. The second (202.170895.1), for the amount of \$500,000, was also endorsed without opposition. Senator Garcia will sponsor it.

Santa Fe Farmers' Market

Sarah Noss, executive director of the Santa Fe Farmer's Market Institute, and George Gundry gave the committee a handout entitled, "Building the New Home for the Santa Fe Farmers' Market in the Railyard". After a short presentation, she told the committee that she is seeking \$1.4 million of capital outlay funds for a permanent home for the farmers' market. The building would be a leadership in energy and environmental design (LEED)-certified building.

Opportunities for the Trades and Vocational Education

Tom Garrity of Garrity Public Relations, LLC, presented the committee with a handout listing the legislative agenda for the Mechanical Electrical Sheet Metal Alliance, as well as draft legislation for an appropriation for \$1 million to support vocational education through the Apprenticeship Assistance Act. Although the list contains six separate priorities, and Mr. Garrity presented to the committee during a previous meeting, no legislation other than the appropriation was available.

Mr. Garrity noted that he does not even support the legislation before the committee because it uses only bits and pieces of his original idea. Representative Garcia moved to table the bill. Senator Garcia seconded and the motion to table passed with no opposition.

Subprime Mortgage Lending

Erik Nore, director of homeownership for the New Mexico Mortgage Finance Authority, and staff for the Task Force on Mortgage Lending, was joined by Representative Lundstrom to present draft legislation (202.170486.1) that would amend the Home Loan Protection Act by prohibiting certain home loans. After a short presentation and questions from committee members, Representative Pena moved to endorse the legislation. Representative Chavez seconded the motion. Although Senator Sanchez voted in opposition to the legislation, the motion passed and the bill received the committee's endorsement. Representative Lundstrom agreed to sponsor the bill.

Committee Business

After thanking members for their attendance and recognizing staff for their hard work, the meeting adjourned at 12:12 p.m.